

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 TRSY-02 FEA-01 CEA-01 CIAE-00

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 9149

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC, IT

SUBJECT: GOI VIEWS ON EC AGRICULTURAL MINISTERS MEETING

1. EMBOFF CALLED ON MINISTRY FOREIGN AFFAIRS (MFA) REP CALAMIA (DIRECTOR, EC-GATT AFFAIRS) JANUARY 20 FOR BRIEFING ON GOI VIEWS OF EC AGRICULTURAL MINISTERS. CALAMIA DESCRIBED JANUARY 13-14 MEETING AS ACHIEVING "NOTHING POSITIVE" FROM GOI VIEWPOINT AND EXPRESSED DOUBT THAT JANUARY 20-21 SESSIONS WOULD REACH AGREEMENT ON MANY SIGNIFICANT ISSUES BECAUSE OF WIDELY DIVERGENT AND STRONGLY HELD VIEWS OF MEMBER COUNTRIES.

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2. CALAMIA SAID GOI FAVORS A TYPE OF DEFICIENCY PAYMENTS SYSTEM,

BUT OBSERVED THAT IT MUST HAVE ANOTHER NAME IF IT IS TO BE ACCEPTED BY ALL EC MEMBERS. CAP PRICE LEVELS MUST BE HIGH ENOUGH TO STIMULATE ADEQUATE PRODUCTION AND PROVIDE A REASONABLE RETURN TO THE FARMER, BUT SOME MECHANISM IS NEEDED TO AVOID THE INFLATIONARY EFFECT OF SUCH PRICE LEVELS. IN HIS VIEW, FRANCE IS MOVING TOWARDS ACCEPTING SOME TYPE OF DEFICIENCY PAYMENTS SYSTEM. HE HOPED THERE WOULD BE SOME PROGRESS ON THIS ISSUE AT JANUARY 20-21 MEETING, BUT DID NOT EXPECT ANY DECISION TO BE REACHED.

3. THERE ARE THREE ISSUES OF PRIME IMPORTANCE FOR ITALY, CALAMIA STATEE, WHICH WILL BE CONSIDERED BY AG MINS: (1) APPROVAL OF FEOGA AID FOR IMPORT OF ADDITIONAL 300,000 MT SUGAR; (2) MAINTAINING CURRENT INTEGRATION PRICE FOR OLIVE OIL WITHOUT QUANTITATIVE LIMITATION; (3) END TO SYSTEM OF COMPENSATORY PAYMENTS RESULTING FROM CURRENCY REVALUATIONS AND DEVALUATION OF GREEN LIRA. CALAMIA SAID PRINCIPAL PROBLEM FOR ITALY IS IMPORTS OF MEAT AND DAIRY PRODUCTS FROM K GERMANY AND NOTED THAT GERMANY WILL BE "VERY DIFFICULT" ON THIS ISSUE. HE OBSERVED THAT UNDER PRESENT SYSTEM IT IS MORE PROFITABLE FOR GERMAN FARMER TO EXPORT TO ITALY THAN TO SELL IN GERMANY AND THAT WITHOUT CHANGES IN CAP ITALY HAS NO LEGAL RECOURSE TO REMEDY SITUATION.

4. COMMENT: PRESS REPORTS AVAILABLE TO EMBASSY INDICATE AG MINS APPROVED SUBSIDIZED IMPORT OF ONLY 200,000 MT OF SUGAR, WHICH REPRESENTS SUBSTANTIAL SETBACK FOR GOI. MFA EXPECTED NO DECISION ON OTHER ITEMS OF PRIMARY INTEREST TO ITALY AT JANUARY 20-21 MEETING, BELIEVING MORE TIME NECESSARY TO ACHIEVE FAVORABLE DECISION (FOR ITALY) ON THESE ISSUES. CONSEQUENTLY, MINISTER AGRICULTURE MARCORA'S ROLE WAS TO DELAY ACTION RATHER THAN EXPEDITE (PROBABLY UNFAVORABLE) DECISIONS. ITALY ALSO HAS STRONG INTEREST IN DURUM WHEAT PRICE LEVEL, BUT THIS CONSIDERED OF LESS IMPORTANCE THAN THREE ITEMS IN PARA (3) ABOVE. VOLPE

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